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To:	_Regulatory Comments
Subject:	Jim Roche, CEO of Premier CU (Palatine, IL) - Comments on Advanced Notice of Proposed Rulemaking for Part 704
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The Role of Corporates in the Credit Union System - Structure; two-tiered system.

U.S. Central has failed. Its capital is gone. A conserveratorship by NCUA is a reasonable stopgap measure until a long-term solution can be achieved. Recapitalization of U.S. Central through the corporate system will not be feasible under current market conditions. Therefore, eliminate this second tier of the corporate system. NCUA should look to sell the current functions performed by U.S. Central. There is value to these operations not reflected on their balance sheet. One or more of the remaining corporate credit unions would be interested in at least some of the parts. The proceeds of a sale and any improvement on the values of current investments would possibly allow the remaining corporate credit unions to recover some of their lost investment and aid them in their quest for improved capitalization.

The remaining corporate credit unions will continue to consolidate. Capital requirements, service offerings, and economies of scale will all drive the need for mergers. The corporate credit unions have performed much needed services at very reasonable costs to the natural person credit unions.

The reasonableness of the cost has swiftly changed. For WesCorp members, the cost has been extreme. For other corporate credit union members, the cost may be just as high or they could be spared. For all federally insured credit unions, there is a significant cost already for the corporate failures and for the increased insurance reserves. Privately insured credit unions do not have any responsibility for these last costs and yet they can derive the same benefits from the corporate credit unions. The past inequities cannot be changed. The future must be viewed with the intent not to permit a repeat of the past.

The roles of corporate credit unions are quite different from those of natural person credit unions. The insurance for corporate credit unions should be separated from that of natural person credit unions. Both could be insured by the NCUSIF only if the fund is separated into two distinct and independent parts. We cannot ever again let the corporate credit unions cause loses to natural person, federally insured credit unions. Corporates need to fund their own insurance costs through increased costs to their users. Then both federally and privately insured natural person credit unions would share in the expense equally. Federally insured credit unions that do not use the corporate credit unions would no longer bear a financial responsibility for them.

Corporate Governance - Outside Directors and Term limits.

Outside Directors
Nothing presented in the ANPR demonstrates that outside directors would in any way enhance the performance of corporate credit unions. There would be the need to compensate them. Their training would take a considerable length of time that the industry cannot afford.

Term Limits
There are plenty of capable leaders in the natural person credit unions who can help give new direction to the surviving corporate credit unions. This will also spread the knowledge of the functions of the corporate credit unions to more of our leaders. What NCUA needs to do is ensure that more of these leaders have the opportunity to become directors. Term limits are necessary to accomplish this. The

limits should include the years of service that the incumbents have had with the current corporate credit union and any of its predecessors. Previous consolidations and anticipated future ones make this an important condition of term limits. Anywhere from nine to twelve years would be an acceptable limit.

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